

Country	Premium Development	Claims Development	Underwriting Profitability	Business Outlook
<p>National Report 2009</p> <p>CANADA</p>	<p>P&amp;C company growth rate has been one of steady modest increases over the past 5 years. NWP has increased from \$33.7 billion in 2005 to \$37.7 billion in 2009. Net Earned Premium increased from \$32.2 billion in 2005 to \$37.5 billion in 2009.</p> <p>Commercial property premiums were virtually flat again in 2009 at \$5.2 billion reflecting what appears to be a bottoming out of decreases on general commercial accounts. CAR and EAR premiums are not listed as separate lines of business in Canada and are typically included as part of Property (Personal and Commercial). It is estimated the premium associated with such contracts for 2009 was \$172.5 million, a decrease of 8% over the \$187.0 million in 2008.</p> <p>For Machinery Breakdown business, which includes Boiler Explosion and Loss of Profits, the Net Earned Premium in 2009 was \$283.95 million effectively unchanged from 2008. The market was stable with little change in rates but there was some competition in large accounts.</p> <p>Engineering-related inspection activity is estimated to be \$26.5 million for 2009 continuing the inflationary trends seen in recent years; 2005 was \$22.9 million.</p> <p>Machinery Breakdown premiums equate to approximately 6% of the premium spent on Commercial Property insurance, or less than 1% of the total P&amp;C industry writings.</p>	<p>Claims, on a Net Losses incurred basis for the P&amp;C business in general increased slightly, coming in at \$26.1 billion, compared to \$25.0 billion in 2008, but this, as last year, includes almost \$1.4 billion in positive run off.</p> <p>Property losses (Commercial and Personal) increased to \$8.56 billion from \$7.98 billion in 2008. Premiums for Personal Property increased 6.6% but claims increased by 5.8%. On the Commercial side premium increased 6% but claims increased 9.7%.</p> <p>2009 continued a trend of a reduction in catastrophic natural disasters although localized flooding, severe weather, and snow load losses did occur.</p> <p>Machinery Breakdown losses made a dramatic recovery from 2008. The B&amp;M Claims Ratio had been on a steady decrease since 2003 when it was at 54%. 2008 saw it shoot up to 73% to \$209.3 million. This was the first time B&amp;M had exceeded Commercial Property Claims Ratio in a decade and 6 of the top 10 writers of the B&amp;M line of business reported Claims Ratios well over the 10 year average of 39%. In 2009 B&amp;M claims returned to \$80.8 million, producing a more usual loss ratio.</p> <p>Overall claims frequency appears to be still declining on smaller losses. EAR and CAR business is recorded as Property business in Canada and no separate loss statistics are available.</p>	<p>The Canadian P&amp;C industry wrote \$37.7 billion in direct written premium in 2009, up (2%) from the \$36.9 billion in 2008. Underwriting expenses, including claims and acquisition costs, amounted to \$37.3 billion, an increase from \$35.8 billion the previous year. Underwriting income overall was up from \$43 million in 2008, to \$245.5 million, at a combined ratio of 99.51% compared to the prior year's 100.18%. Investment income was almost flat at \$3.3 billion. As noted earlier, Return on Equity increased from 7.47% in 2008 to 8.13% in 2009.</p> <p>With regard to Machinery Breakdown business, premium for 2009 was up 7% over 2008. The claims ratio of 26.7599% plus the average expense ratio of 29.93% produced profitable returns. This compares with 2008 net income estimated to be in the area of \$1.2 million with a 99.6% combined ratio.</p>	<p>The Canadian economy, suffered badly throughout 2008 but began to recover in 2009. The global economic recovery is proceeding and in Canada this is supported by continued fiscal and monetary stimulus.</p> <p>The effects of the recession are still felt. Unemployment stands at 8.5%.</p> <p>The bust in the commodities boom is over. As Canada's economy is largely commodities driven, the recovery in energy and metal prices have resulted in a fairly rapid turnaround. The continued weakness in the global economy will slow the return to full economic activity in Canada until 2011.</p> <p>Canadian real GDP rose sharply in the first quarter by 6.1%, due in part to ongoing fiscal stimulus and consumer spending. It is expected that real GDP growth in the second quarter will fall to 3%, and will average 3.55% in 2010.</p> <p>Canadian financial markets have been resilient, and the Canadian dollar is trading in the 96cents range against the US dollar.</p> <p>The insurance market cycle continues in a soft phase but concerns about potential weather-related losses remain. While rate reductions have largely ceased, small rate increases are being seen in certain segments. This pattern is expected to continue throughout the year.</p>